Audit
Agenda

Wednesday 16 December 2015 at 7.30 pm

DBC Bulbourne Room - Civic Centre

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Taylor	Councillor Tindall
Councillor G Adshead	Councillor W Wyatt-Lowe
Councillor Barnes	Councillor Elliot
Councillor Douris	

Substitute Members:
Councillors Anderson, Ransley, Brown and Link

For further information, please contact or

AGENDA

1.   **APOLOGIES FOR ABSENCE**

      To receive any apologies for absence

2.   **DECLARATIONS OF INTEREST**

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

(i)   must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

(ii)   may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

3.   **MINUTES AND ACTIONS** (Pages 3 - 5)

To confirm the minutes of the previous meeting and consider the actions

4.   **PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation.

5.   **STRATEGIC RISK REGISTER Q2 2015-16** (Pages 6 - 23)

6.   **ANNUAL AUDIT LETTER 2014/15** (Pages 24 - 35)

To consider the 2014/15 Annual Audit letter from the Council's Auditors, EY LLP.

7.   **INTERNAL AUDIT REPORTS** (Pages 36 - 131)

To consider the Internal Audit reports provided by Mazars LLP

8.   **AUDIT COMMITTEE WORK PROGRAMME 2015/16** (Pages 132 - 133)

9.   **PART II MINUTES - 23 SEPTEMBER 2015** (Pages 134 - 135)

To consider the Part II minutes from the meeting held on 23 September 2015.

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

23 SEPTEMBER 2015

Present:

Councillors:	Adshead	Taylor (Chairman)
	Barnes	Tindall
	Douris	W Wyatt-Lowe

Officers:

	J Deane	Corporate Director (Finance & Operations)
	D Skinner	Assistant Director (Finance & Resources)
	C Taylor	Group Manager(Strategic Planning and Regeneration)
	C Baker	Group Manager (Revenues, Benefits and Fraud)
	S Potton	Revenues & Benefits Support, Team Leader
	J Doyle	Member Support Officer

Others:

	S Knowles	MAZARS

The meeting began at 7.30 pm

49. APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Elliot.

50. DECLARATIONS OF INTEREST

None.

51. MINUTES AND ACTIONS

The minutes of the meeting on 29 July 2015 were agreed by the Councillors present and signed by the Chairman.

52. PUBLIC PARTICIPATION

None.

53. PROGRESS REPORT – INTERNAL AUDIT (Item 5)

S Knowles (SK) of Mazars introduced this item and began by going through the progress to date. The auditors have issued the Regeneration report (considered later in the agenda) and have produced the draft report on licensing for which they are awaiting management comments and they will be reported at the next meeting.
All other planned work is started and underway to schedule.

She then drew attention to the follow up recommendations on reports raised in the audit reports for 14/15 and the three recommendations partly implemented or

Chairman

outstanding.

Cllr Douris raised questions on the Operational Risk Total on Page 10 referring to Data Security. He pointed out that work on this should have been started but has been deferred to quarter 3 and was assured that it is in hand.

S Knowles clarified that the references to the Regeneration report should be the same as those in the report considered later in the agenda.

As a general point Cllr Douris suggested that the Internal Audit (IA) Progress report should include a date by when the recommendations should be implemented – in order for the committee to monitor progress. He followed this up by suggesting that, where appropriate, there should be a note explaining why the target date has not been achieved.

Cllr Taylor then raised a housing repairs issue that affected a disabled resident in his ward as an example of the DBC officers having a completion notice from Osbourne for a job which he knows not to have been completed. He suggested that as part of the IA audit of Housing Repairs later this year he would like them to examine how DBC test what Osbourne say they do against what they have done.
To assist Cllr Douris suggested that IA consider site visits as part of their process. D Skinner (DS) Assistant Director (Finance & Resources) pointed out that DBC should provide the 'control' to test Osbourne's processes and that IA's function is to examine the effectiveness of that control.

Cllr W Wyatt-Lowe sought clarification on IA's sampling of the repairs 'jobs'. SK advised that IA will look at an 8-10% random sample of the jobs to ensure the service is being properly investigated.

Actions;
IA to include target dates by when the recommendations should be implemented in their report; and
Where appropriate, there should be a note explaining why the target date has not been achieved.

54.   **INTERNAL AUDIT – REGENERATION (Item 6)**

S Knowles opened this item by highlighting the two priority 2 and four priority 3 recommendations which she reported had been accepted by DBC Management who are working on addressing the issues highlighted.

Cllr Tindall raised some issues regarding the low numbers of officers attending the steering group and sought some reasons why officers are not attending in greater numbers. He suggested that it may not be the correct officers who are attending and this suggests that the regeneration steering group is not functioning correctly and that the training needs to be reviewed.
C Taylor (CT), Group Manager (Strategic Planning and Regeneration pointed out that they have reviewed the attendance to address the issues - they now have a list of representatives from each service area who will be encouraged to attend the meetings. The lead officer of each team should be responsible for making sure that the invited officers attend.
Cllr Tyndall then suggested that officer consider using some form of 'Skype' as an alternative to encourage greater participation.
CT then went on to add that the CorVu 'change control' reporting element of the

Chairman

recommendations had been addressed by Rob Smythe and his team.

Cllr W Wyatt-Lowe felt that the meetings may be better attended if officers were encouraged to attend only the session relevant to them as he doubted that all those involved had to be present for everything. He suggested that the meeting agenda might need to be made clearer.
CT responded that the Regeneration Board and the Steering Group Terms of Reference have been reviewed to address the issue.
Cllr Douris proposed that that each Department/Section should be encouraged to have a designated officer and a nominated sub for the times they cannot attend.

The Chair sought confirmation that the recommendations were being actioned and completed. CT advised that they had either been completed or were awaiting ratification by the Regeneration Board; everything that can be done up till the date of this meeting has been done. The last scheduled meeting of the Board had to be cancelled but the actions would be carried out at the next meeting and the suggested systems are in fact in place. S Knowles advised that she will confirm the work completed in her summary follow-up report.
In response to a question from Cllr Douris, CT confirmed that the training in recommendation 6 has been given and the recommendation actioned.

55.   EXCLUSION OF THE PUBLIC

Resolved:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the item in Part 2 of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that, if members of the public were present during the item, there would be disclosure to them of exempt information relating to the business affairs of the Council which may be of value to fraudsters. The Department for Work and Pensions, which oversees housing benefit administration, states that this information should not be made public due to the sensitivity of its contents.

Local Government Act 1972, Schedule 12A, Part 1, paragraph 3.

56   INTRODUCTION OF RISK BASED VERIFICATION FOR HOUSING BENEFIT AND COUNCIL TAX SUPPORT (Item 8)

Full details can be found in the Part II minutes.

57   WORK PROGRAMME 2015/16

The members considered the Audit Committee work programme for 2015/16

Cllr Tindall questioned whether the committee would have the time to consider all the items proposed for the March 2016 meeting. Cllr Douris suggested that the officers reconsider the proposals and amend the work programme.

The meeting ended at 8.40pm

Chairman

DACORUM

BOROUGH COUNCIL

AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	16 December 2015
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 2 2015/16
Contact:	Cllr Graeme Elliot , Portfolio Holder Finance & Resources James Deane , Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the Quarter 2 update on the Strategic Risk Register
Recommendations	That the content of this report is noted and that Committee seek further assurance where required.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u> None identified.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report this minimum balances are secured. Budget exercises for 2014/15 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.

	Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Equalities Implications	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Risk Management working paper files Cabinet, October 2014, Agenda Item 10

BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q2 2015/16 is attached at Appendix A.

2. At its meeting in October 2014 , Cabinet agreed the following recommendation contained within the report entitled 'Revised Strategic Risk and Opportunity Register'

    An annual review of the SRR with the focus on risk identification for the future, to involve Cabinet, Leader of the Opposition and the Chief Officer Group;

3. The review was undertaken in July 2015, facilitated by Mazars, the Council's Internal Auditors, and resulted in the updated risk register attached at Appendix A.

4. The Strategic Risk Register will continue to be reported to Cabinet for review on a quarterly basis, scrutiny will be provided by Audit Committee.

STRATEGIC RISK REGISTER

September 2015

C5 - The Council fails to comply with the regulatory framework within which it must operate.

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Legal & Regulatory	Dacorum Delivers		James Deane	Cllr Graeme Elliot	Treating

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	2 Unlikely	2 Medium	4 Green

Consequences	Current Controls	Assurance
As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions. Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees. However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature. For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:	The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate. These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance. These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from '4', Very Likely, to '2', Unlikely. Data Protection policy & procedures Health & Safety policy & procedures Risk Management framework Safeguarding policy & procedures Financial Regulations Procurement Standing Orders Constitution	The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance. The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance. Data Protection, Health and Safety, the Constitution (Corporate Governance) and the Financial Regulations (Main Accounting) are in the Internal Audit plan for review in 2015/16.

1. Disclosure of personal information causing harm to a resident 2. High profile negative publicity regarding the way the Council operates 3. Significant financial penalty imposed by the Information Commissioner This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.	Emergency Plan Human Resources terms & conditions	

Sign Off and Comments

Sign Off Complete

This risk is a new addition to the Strategic Risk Register following a review by Members of Cabinet, the Leader of the Opposition, and Chief Officer Group in June 2015. The Operational Risk Registers will now be reviewed by officers to ensure that they explicitly reflect the policies and procedures identified within this strategic risk. They will be updated accordingly to ensure regular review and enable a clear route of escalation to strategic risk level should it be required.

As at quarter 2, 2015, there are no operational risk areas that warrant escalation to strategic level for Cabinet or Audit Committee consideration.

C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
People/Employees	Dacorum Delivers		Steve Baker	Cllr Neil Harden	Treating

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score

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STRATEGIC RISK REGISTER

September 2015

4	4	16	2	4	8
Very Likely	Severe	**Red**	Unlikely	Severe	Amber

Consequences	Current Controls	Assurance
• The quality of service delivery is likely to be adversely affected due to a lack of resources and/or skills to effectively deliver services through increased partnership working. • There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships. • There is also likely to be a negative impact on any proposals for devolved powers. • A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten.	• A Core Management training programme is being launched which will equip managers with a variety of skills. Some of the key modules in this programme will focus on commercial awareness / partnership working and business process re-engineering. This control will reduce the risk because managers will be more aware of the importance of exploring the opportunities for increased partnership working. • All leadership appointments are subject to behaviour tests which will assist with assessing their understanding and approach to partnership working. This control will reduce the risk as it will ensure that candidates who are appointed to leadership positions within the Council will have demonstrated that they display a positive approach to partnership working. • A new workforce strategy for the period 2016 to 2020 is to be developed to ensure the Council has the right people with the right skills in place during this period. This control will reduce the risk because it will ensure that the Council has an up to date strategy for identifying what skills are required and how the Council will recruit people with those skills. • The new approach for service planning for 2016/2017 focusses heavily on service innovation, service efficiencies and workforce planning. This will feed through in to individual objectives as part of the appraisal programme for employees which is supported	• The Council's current employee turnover is around 9%, which is considered to be a healthy turnover and compares well against an average turnover in the public sector of approximately 18% (from CIPD figures). • Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services. • Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts. Only one leadership post has had to be re-advertised in the last two years.

	by specific training development plans to help employees achieve their objectives. This control will reduce the risk because it will ensure that the need to explore service efficiencies through partnership working is cascaded down from the leadership team to individual team members.	

Sign Off and Comments

Sign Off Complete

This is a new strategic risk.

This risk has been reviewed for Q2 and there are no reasons to change the residual risk rating.

C7 - Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Corporate	Dacorum Delivers		Sally Marshall	Cllr Neil Harden	Treating

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber

Consequences	Current Controls	Assurance
Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.

It is also required by the Data Protection Act and Government's Code of Connection (CoCo) to maintain confidentiality, integrity and proper use of the data. | Information Security Officer appointed -responsibilities include:
• the Council's Corporate Information Assurance specialist
• the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and | - Information Security Officer appointed
- Various ICT policies and procedures in place
- Compulsory training for staff on Data Security |

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With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.

Consequences of Risk –
1. Poor decision making due to ineffective use of or insufficient availability of data and information sharing.
2. Loss, misrepresentation or unauthorised disclosure of sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage.
3. Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs.
4. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets.
5. Potential damage to DBC's reputation.

compliance.
• To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services.
• To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security.
• To be the custodian and owner of Information Security and Governance Standards.
• To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity.
• To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts.
Compulsory training for staff on Data Security

Sign Off and Comments

Sign Off Complete

This new risk addresses the risks associated with data protection.

F6 - Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:
Financial	Affordable Housing	Mark Gaynor	Cllr Margaret Griffiths	Treating

STRATEGIC RISK REGISTER

September 2015

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red

Consequences	Current Controls	Assurance
Since the 'once and for all' settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan: • The re-invigoration of the RTB which has increased sales from around 15-20 per year to well over 100 • The parallel introduction of the RTB 'one for one' replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced) • A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target) The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability: • A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £30M over the first four years and over £500M over the lifetime of the HRA Business Plan) • Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB The first of these changes is already in draft legislation	Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFS, project and programme management arrangements, effective contract management, annual efficiency programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of change, compounded with previous changes, are so significant. The controls are as follows: A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock. Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders). Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the	A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that the current new build programme can be completed. The ability to extend this further will depend on the success of the mitigations above.

and the assumption must be that it will happen. The consequences are very significant, and even with mitigation will continue to be so:
 The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.
Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with the scale of resource reduction.
The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books.
That resources provided through RTB one for one replacement will be unused and lost to the Borough as it is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council).
The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

overheads of the HRA.
Maximising the income to the HRA by altering use of parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).
Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision. This could incorporate an element of affordable rent to increase revenue.
Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes.
Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.
Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.
Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.
The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:
• An annual refresh of the HRA Business Plan reported

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both to CMT and to Cabinet
• Monthly meeting between budget holders and accountants monitoring progress against original timeframes and costs
• Regular meetings of the Corporate New Build Group considering performance and new schemes
• CMT receive a fortnightly update on the new build programme
• Performance Board comprising Chief Officers and cabinet members receive a report on progress before each cabinet meeting
• Reports on HRA performance go the Overview and Scrutiny every quarter
• The HRA is reported as part of the overall corporate financial reporting process

Sign Off and Comments

Sign Off Complete

The initial modelling has confirmed that nearly all of the existing planned new build programme can be delivered. Thereafter, however, capacity will be reduced. The ongoing capital programme will still exceed Decent Homes standard.

F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Financial	Dacorum Delivers		James Deane	Cllr Graeme Elliot	Treating

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber

Consequences	Current Controls	Assurance

The government's austerity programme has led to reduced Local Authority funding over the last five years, resulting in the Council's need to find savings of £5m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increase the risk of the Council being unable to deliver its vision for the borough, as detailed in the Corporate Plan.
 (http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2)

Sustained funding reductions of this magnitude are not only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:
Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my reducing the inherent risk score from '4', Very Likely, to '3', 'Likely'.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0

The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for

There were three internal audit reviews undertaken by Mazars during 2014/15, which provide an external view of the effectiveness of the controls implemented by the Council to manage the financial risks to delivering its priorities.

The audits on 'Efficiency Savings' and 'Main Accounting' received a Full level of assurance (the highest available), and the audit on 'Budgetary Control' received a Substantial level of assurance (the second highest available).

These internal audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.

Reputational damage as residents become dissatisfied with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.	informed strategic decision-making.

The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', 'High.

The Council reviews its
Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest. | |

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Sign Off and Comments

Sign Off Complete

STRATEGIC RISK REGISTER

September 2015

General Fund

The MTFS approved by Cabinet in July 2015 identifies a savings target of £2.6m over 2016/17 – 2017/18. Whilst not significantly higher in cash terms than the Council has faced in previous years, this challenge is tougher because the more obvious savings have already been taken in order to balance the budgets in previous years. This view is supported by the Council's external auditors EY Ltd. Whilst acknowledging that the Council has 'established appropriate budgetary control procedures' in their Audit Results Report issued in July 2015, EY upgraded their assessment of the Council's 'Financial Standing' to a 'significant risk' on the basis of the savings targets identified in the current MTFS.

Furthermore, the Council's forecast overspend as at the end of the first quarter in 2015/16 provides evidence that the Council has already tightened its budgeting process to ensure increased value for money for its residents. The year-end underspends that have provided a cushion for the Council in previous years are unlikely to materialise at the end of 2015/16, which again emphasises the need for a more concerted savings programme.

The budget setting process for 2016/17 is now underway, with the Budget Review Group having met for the first time in August. Senior Officers are currently in the process of reviewing their services for next year with the objective of rethinking the means of delivery to ensure the protection of frontline services at reduced costs.

Housing Revenue Account

The Chancellor's budget announcement in July 2015 that Council's must reduce social rent by 1% per annum for each of the next four years has resulted in the Council forecasting a reduction in rental income of £30m over the next four years. The implications of this reduction on the Council's plan are currently being worked through with Portfolio Holders, and will be reported to Cabinet during the next quarter.

I3 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Infrastructure	Affordable Housing		Mark Gaynor	Cllr Graham Sutton	Treating
Inherent Probability	**Inherent Impact**	**Inherent Risk Score**	**Residual Probability**	**Residual Impact**	**Residual Risk Score**
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber

Consequences	Current Controls	Assurance
The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences: A reduction in the quality of life and opportunities for people in the Borough A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council	Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited. The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include: Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites. The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with	The process for setting out development delivered is through the Annual Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls.

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infrastructure provision local people want.

Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.

Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.

Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.

Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)

Working to create key partnerships to bring forward development capable of funding major infrastructure (such as Gorhambury)

These controls are exercised within the following:

• Monthly reporting to Hemel Evolution Board and Corporate Regeneration Group
• Fortnightly reporting on key projects to CMT
• Reporting to Performance Board before each Cabinet Meeting
• A clear programme for the Local Development Framework and CIL
• Quarterly reporting to Overview and Scrutiny
• Regular reporting to Cabinet
• Adherence to the agreed performance and project management processes

Sign Off and Comments

Sign Off Complete

We have issued the first CIL demand and income will follow.We have submitted Maylands Gateway as part of an Enterprise Zone bid from Herts LEP which, if successful, would result in considerable infrastructure investment that may not have been affordable.

R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.

Category:	Corporate Priority:		Risk Owner:	Portfolio Holder:	Tolerance:
Reputational	Dacorum Delivers		Sally Marshall	Cllr Neil Harden	Treating

Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3	3	9	2	3	6
Likely	High	Amber	Unlikely	High	Amber

Consequences	Current Controls	Assurance
The risk of not using social media - This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to	In order to mitigate these risks we have put in place a number of controls: The risk of not using social media	o Corporate Information Security Management Policy o Corporate Information Technology Security Policy o Data Protection Act Policy o Freedom of Information Policy

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exclude key demographic groups including younger residents and those who are more technologically minded.

- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.

- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.

- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.

Managing the risk of social media

- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.

- Employees may breach data security rules regarding the management of private or confidential information.

- Inappropriate or unacceptable content posted by employees

- Our social media accounts are 'identity jacked' which

- Our social media strategy sets out how we will proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.

- We have 13 social media accounts covering corporate and operational services including from the CSU.

- We regularly use social media to actively promote campaigns, events and messages.

- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media

- We generate reports and analysis on scale and content of Facebook and Twitter posts.

Managing the risk of social media

- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.

- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.

- Our system provides automatic moderation of abusive messages.

o PSN/Government Connect (GSx) Acceptable Usage Policy
o Information Security Incident Procedure
o Social Media Strategy
o Facebook and Twitter accounts
o Social Media Management System

occurs when fake accounts are set up to look like those of DBC. This is a risk because the fake accounts can post incorrect or inappropriate information which is then associated with DBC.
 	
- Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments.
 	
- The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns.
	- We provide in-house training for all staff posting on DBC social media accounts.
	
	- We use a subscription service that manages and secures accounts.
	
	- All staff are required to read and sign-up to a range of policies including:
	
	  Corporate Information Security Management Policy
	  Corporate Information Technology Security Policy
	  Data Protection Act Policy
	  Freedom of Information Policy
	  PSN/Government Connect (GSx) Acceptable Usage Policy
	  Information Security Incident Procedure	

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Sign Off and Comments
Sign Off Complete
This new risk has been included to reflect the challenges posted by the use of social media as well as the benefits from engagement.

Dacorum Borough Council

Annual Audit Letter for the year ended 31 March 2015

28 October 2015

Ernst & Young LLP

EY

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Dacorum Borough Council
Civic Centre
The Marlowes
Hemel Hempstead
HP11 1HH

28 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 audit results report presented to the 29 July 2015 meeting of the Audit Committee, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for Dacorum Borough Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully

Mark Hodgson
Executive Director
For and on behalf of Ernst & Young LLP
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014-15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the Audit Commission's website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1.   Executive summary

Our 2014/15 audit work was undertaken in accordance with our Audit Plan issued on the 11 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them
- reviewing and reporting by exception on the Council's AGS
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Dacorum Borough Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 31 July 2015 we issued an unqualified audit opinion on the Council's financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 31 July 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts.	We submitted our assurance statement to the National Audit Office on 1 October 2015. We had no issues to report.
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.	No issues to report.
As a result of the above we have also:	
Issued a report to those charged with governance of the Council communicating the significant findings from our audit.	Our Audit Results Report was presented to the Audit Committee on 29 July 2015.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	We issued our certificate on 1 October 2015. .

In December 2015, we will also issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work we have undertaken.

2. Key findings

2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 31 July 2015.

Our detailed findings were reported to the 29 July 2015 meeting of the Audit Committee.

In our view, the quality of the process for producing the accounts, including the supporting working papers was generally good.

The main issues identified as part of our audit were:

Significant risk 1: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

Findings:

► We did not identify any material misstatements, evidence of management bias, or significant or unusual transactions in our testing of journals and estimates.

► We did not identify any instances of expenditure being incorrectly classified between revenue and capital.

Significant risk 2: Property asset valuation and accounting

The Council holds a significant number of property assets. The valuation of these assets represents a significant accounting estimate. The accounting entries arising from changes in value are complex and have a significant impact on the Council's financial statements.

The Council is also working to regenerate an area of Hemel Hempstead town centre. It has acquired a number of property assets to facilitate this development. The classification of these properties represents a significant judgment that will determine the basis on which those properties are valued,

Taken together, these factors present a significant risk to the financial statements,

Findings:

► We assessed the reliability of the work management's experts, validating their work against information provided to us by our own valuation specialists. We concluded we could place reliance on the work undertaken by management's expert.

► We found that changes in the value of those assets were correctly reflected in the Council's accounting systems and financial statements.

► We reviewed management's judgements around the classification of property assets, and found that these were appropriate and in line with the Code of Practice on Local Authority Accounting in the United Kingdom.

We had no other matters to report.

2.2   Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

► securing financial resilience, and

► challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 31 July 2015.

Arrangements to secure financial resilience: significant risk

Identified risk - Along with many other Council's, Dacorum Borough Council is facing significant financial challenges over the next three to four years. The Council's external funding sources are reducing and are likely to be subject to change and uncertainty in future years.

We have undertaken a review of the Council's Medium Term Financial Strategy (MTFS). We consider that the Council's strategy is robust. It is based on assumptions and scenario planning that is appropriate. The Council updates its strategy on a regular basis to reflect changing assumptions.

The strategy identifies a cumulative budget gap over the period 2016/17 - 2018/19 of £2.8 million, including a budget gap of £1.4 million in 2016/17. Further work is planned over the remainder of 2015 to close this budget gap. The Council has no plans to make significant use of reserves or uncertain funding streams (for example the New Homes Bonus) to close this gap.

We have also assessed the level of general fund reserves (both general and earmarked) that the Council has at the 31 March 2015. We are comfortable that the level of reserves held by the Council (£12.5 million) covers the budget gap identified within the MTFS.

The Council does, however, need to formalise the savings plans it is currently developing in order to address the budget gap going forward and maintain its reserve balances at an appropriate level.

We have no other matters to report.

2.3   Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We submitted our assurance statement to the National Audit Office on 1 October 2015.

We had no issues to report.

2.4   Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5   Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6   Other powers and duties

We did not identify any issues during our audit that required us to use our powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7   Independence

We communicated our assessment of independence to the Audit Committee on 29 July 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

2.8   Certification of grant claims and returns

We have not yet completed our work on the certification of the claims and returns. We will issue our Annual Certification report for 2014/15 in December 2015.

3.   Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have not tested the individual system controls of the Council as we have adopted a fully substantive approach to our audit.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design of an internal control that might result in a material misstatement in the Council's financial statements.

4 Looking ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Council's arrangements for the production of its financial statements. We have outlined what we think are two of the main challenges below.

Description	Impact
Highways Network Asset (formerly Transport Infrastructure Assets): The Invitation to Comment on the Code of Accounting Practice for 2016/17 sets out the requirements to account for Highways Network Assets under Depreciated Replacement Cost. This is a change from the existing requirement to account for these assets under Depreciated Historic Cost. This change is to be effective from 1 April 2016. This requirement is not only applicable to highways authorities, but to any local government bodies that have assets which fall into the definition. This could include, for example, footways and cycle ways, housing revenue accounts (HRA) infrastructure, unadopted roads on industrial or HRA estates, and street furniture. This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.	The Authority should consider whether it holds any assets that would be classified as highways network assets and, if so, whether they have the necessary information to implement the changes in accounting for these assets from 1 April 2016. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as: • Footways • Housing revenue account (HRA) infrastructure • Unadopted roads in industrial or HRA estates • Cycleways • Street Furniture If the impact of this change in accounting policy is material, the Authority would also need to restate the balances for these assets as at 1 April 2015.
Earlier deadline for production and audit of the financial statements from 2017/18 The Accounts and Audit Regulations Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward. As a result, the Council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July in 2018.	These changes provide challenges for both the preparers and the auditors of the financial statements. The Council is aware of this challenge and **has been working towards and achieving an earlier accounts production and facilitating earlier audit completion in recent years, as demonstrated by the audit opinions being issued by the end of July in each of the last two years.** Therefore, the Council is very well placed to achieve this earlier accounts production timetable.

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DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – December 16 2015

CONTENTS

Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2015 to November 2015 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2015/16 Internal Audit Plan.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars Public Sector Internal Audit Limited in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Director of Finance and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Corporate and Service Risk Registers and how the internal audit plan can provide this assurance.

Progress to Date

Audit fieldwork on the 2015/16 Internal Audit Plan is progressing well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports:

- Licensing (Evaluation Assurance: **Substantial**. Testing assurance: **Substantial**).

- Parking (Evaluation Assurance: **Substantial**. Testing assurance: **Substantial**).

- Performance Management (Evaluation Assurance: **Full**. Testing assurance: **Full**).

- PCI DSS (Evaluation Assurance: **Full**. Testing assurance: **Substantial**).

- Housing Repairs (Evaluation Assurance: **Substantial**. Testing assurance: **Substantial).**

- Right to Buy (Evaluation Assurance: **Substantial**. Testing assurance: **Limited**).

Other Work:

Assurance Framework

The approach we are taking is based upon us supporting the Council in the development of its draft Assurance Framework and in future years, driving the Internal Audit plan from this framework. The Assurance Framework will provide enhanced assurance around governance procedures and will further enhance the assurance needs of the senior management and other key stakeholders of the Council.

The Key Questions in the framework have been agreed by management, and we have almost completed identifying the evidence needed to support the statements made. In future years management will need to update the evidence trail and this will be reviewed by Internal Audit. We propose to select a sample of Key Questions during quarter 4 in order to verify the supporting documentation that has been included as evidence in the framework.

Follow-up of Recommendations

2015/16

The table below details the recommendations raised in the audit reports for 2015/16 and 2014/15. It should be noted that progress in implementing recommendations raised has been followed up, as part of the 2015/16 audit plan and summary of the outcome is shown in the table below:

Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2015/16	27	6	22%	6	22%
2014/15	39	36	92%	39	100%
Total	**66**	**42**	**64%**	**45**	**68%**

Appendix 3 provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 30th November 2015.

Definition of Assurance & Priorities

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full	F	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	S	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	L	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil	N	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Priority 1 Recommendations

We have raised one Priority 1 recommendation in the final reports issued since the last Audit Committee meeting. This Priority 1 recommendation was raised in the Right to Buy report, and was as follows:

Recommendation: Identity and Tenancy checks should be completed within four weeks of the Right to Buy applications being submitted. Consideration should be given to setting up a central e-mail account to which identity and tenancy check requests should be sent, and which should be monitored weekly to ensure that all requests are promptly processed.

Appendix 1 – Status of Audit Work 2015/16

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2015/16, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	21	5	January 2016	Planning Completed						
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											

	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	8		Q4							
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	3	November	WIP						
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8		Q4							
	Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	10		Q4							
Core Financial Systems Total			**55**	**8**								
Operational Risks	Housing Repairs	Covering adequacy and effectiveness of controls over the management of planned and responsive repairs and the demonstration of value for money. The audit will also cover contract management arrangements in place.	12	12	September	Final	Substantial	Substantial	-	3	1	
	Parking	Covering adequacy and effectiveness of the controls in place over income collection for on street and off street parking. The audit will also cover contract management arrangements in place.	12	12	September	Final	Substantial	Substantial	-	2	1	

	Licensing	Covering adequacy and effectiveness of key controls over applications for and granting of licences and enforcement of those licences.	8	8	August	Final	Substantial	Substantial	-	3	1	
	Members' Training and Expenses	Covering adequacy and effectiveness of key controls over training and expenses following the elections.	8		Q4							
	Housing Lettings	Covering adequacy and effectiveness of key controls over the allocations process once properties are available to let.	10		Q4							
Operational Risks Total			**50**	**32**								
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes and assurance over grant spending.	10	10	June	Final	Substantial	Substantial	-	2	4	
	Partnership Arrangements	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services and the controls in place for data and information sharing..	10		Q4							
	Health and Safety	Covering adequacy and effectiveness of controls over Health and Safety	7	0.5	Q4							

			Days	Days	Timing	Status	Opinion	Opinion				Comments
	Performance Management	Covering adequacy and effectiveness of controls in place regarding the performance management framework and progress in delivering strategic objectives.	10	10	October	Final	Full	Full	-	-	1	Also raised 1 System Improvement Opportunity
	Data Security	Covering adequacy and effectiveness of the Council's strategic approach to data security.	7		Q4							
Strategic Risks Total			**44**	**20.5**								
Governance, Fraud & other Assurance Methods	Control Risk Self Assessment including the Corporate Governance Framework	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	13	5	All							
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10	1	All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management. part of the annual governance statement.	10		Q4							

	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10		Q4							
Governance, Fraud & other Assurance Methods			**43**	**6**								
ICT	PCI DSS	The specific scope will be agreed with management but would look to provide assurance over the information governance, customer data security and adherence to Caldicott.	20	20	August	Final	Full	Substantial	-	3	1	
	Digital Dacorum (Including CRM)	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews and focus on strength of controls.	10		Q4							
ICT total			**30**	**20**								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	6								
	Management (including Audit Committee Training)		25	16								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). Risk Management Workshops Right to Buy	30	10	October	Final	Substantial	Limited	1	2	2	
Other total			**65**	**32**								
TOTAL			**287**	**118.5**								

Appendix 2 - Summary of Final Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last meeting of the Audit Committee are provided in this section.

Licensing (2015/16)

Our audit of DBC's internal controls operating over Licensing found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. Also, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised three priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Licensing Team Leader should complete the review of the existing animal related application forms and once this has been completed they should be made available to applicants on the Council's website. (Priority 3);

- A further action log event should be added to the procedures within the Flare system for; Animal Boarding, Licensed Premises Gambling Machines and Piercing which requires the Licensing Team Leader to approve before the License is granted. (Priority 2);

- The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. (Priority 2); and

- The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. (Priority 2).

Performance Management (2015/16)

Our audit of the Council's internal controls operating over Performance Management found that there is a sound system of internal control designed to achieve the system objectives. However, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

We have raised one priority 3 recommendation and 1 System Improvement Opportunity where we believe there is scope for improvement within the control environment. These are set out below:

- Performance Indicators should be reviewed during the financial year to ensure that they continue to be appropriate and fit for purpose. (Priority 3)

- Officers who are responsible for under performing indicators within individual service lines should attend a Performance Clinic so that appropriate action can be taken to improve performance. The outcomes of the performance clinic should be recorded. (System Improvement Opportunity).

Parking (2015/16)

Our audit of the Council's internal controls operating over Parking found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised two priority 2 and one priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Prior to the parking enforcement contract end date of 2018, consideration should be given to determining the requirements to be included in the new contract. (Priority 2)

- Monthly invoices should be checked against expected annual contract value as detailed in the purchase order. (Priority 2)

- Contract monitoring meetings should be held on a monthly basis as per the contract agreement. (Priority 3)

Right to Buy (2015/16)

Our audit of the Council's internal controls operating over Right to Buy found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may put some of the system objectives at risk. The level of non-compliance puts the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Limited

We have raised one Priority 1 recommendation, two Priority 2, and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Detailed operating procedures for the Right to Buy process should be developed. (Priority 2).

- Identity and Tenancy checks should be completed consistently (Priority 1).

- Anti Money Laundering policy should be updated to reflect Right to Buy processes (Priority 2).

- A secondary check on the Discount Value calculation included in the Offer Letter should take place to confirm accuracy (Priority 3).

- Detailed records relating to the Right to Buy Process should be maintained (Priority 3).

PCI - DSS (2015/16)

Our audit of DBC's internal controls operating in respect of the 2015 Payment Card Industry Data Security Standard (PCI DSS) ver 3.1 found that there is a sound system of internal control designed to achieve the system objectives. Also, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised three priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the PCI-DSS control environment. These are set out below:

- Secure Socket Layer - All and any existing use of SSL and/or early TLS must have a formal Risk Mitigation and Migration Plan in place. (Priority 2).

- Vulnerability patch management – Appropriate key performance indicators and vulnerability compliance monitoring reports should be established and applied.(Priority 2).

- Compliance verification checks on all Point of Sale device assets.(Priority 2).

- CAPITA Services PCI DSS compliance verification status documentation. (Priority 3).

Housing Repairs (2015/16)

Our audit of the Council's internal controls operating over Housing Repairs found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised three priority 2 and one priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Policy and Procedure documentation should be reviewed and updated on a regular basis. (Priority 3).
- Where repairs are the responsibility of the tenant, a process should be in place to recharge the cost of the repairs to the tenant. (Priority 2)
- The council should raise the issue of the quality of information maintained by Osborne Property Services at contract monitoring meetings. (Priority 2).
- The Council should maintain, and provide to the contractor, a list of all eligible properties under the five year rolling plan for two room redecorations.   (Priority 2).

Appendix 3 – Follow-up of Recommendations 2015/16

A follow-up audit has been undertaken in accordance with the 2015/16 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 internal audit final reports have been implemented.

The tables below provide a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 30th November 2015 and had not been reported as implemented at the previous Audit Committee meeting.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due	Resp. Officer
Performance Management	1					Jan 2016			1	Rob Smyth
Regeneration	6	6								Chris Taylor
Licensing	4					Dec 2015/ Mar 2016			4	Ross Hill
Parking	3					Jan/Mar /Apr 2016			3	Nick Brown/ Steve Barnes
Right to Buy	5								5	Richard Baker/ Andy Vincent
PCI-DSS	4									
Housing Repairs	4					Jan – Apr 2016			4	
Total	**27**	**6**								

2014/15 Recommendations

Three recommendations from 2014/15 remain partly implemented

Customer Services
Recommendation: Comprehensive failure demand data should be analysed to identify where Council resources are best focused to resolve problems.
Management Update: We are currently in negotiation with Northgate in relation to the wider roll out of the CRM provision across the Council. Once the CRM has been fully implemented and the benefits of the Digital Dacorum projects are fully realised it is envisaged that this will reduce the number of failure demands and will make it much easier to understand the root causes and rectify them. We agree that this recommendation is still partially implemented until the wider CRM provision is in place.

<u>Trees and Woodlands</u>

Recommendation: Consideration should be given to the viability of a direct electronic link between the EzyTreev and Agresso system to allow for direct data transfer.

Recommendation: In the absence of a direct interface a monthly reconciliation between the EzyTreev system and Agresso should take place. This should be signed and dated by the officer who carried out the reconciliation and verified by an independent officer.

Management Update: Group Manager (Environmental Services) to speak with ICT to determine whether the two systems can be linked and if not whether Ezytreev can provide both requirements.

Appendix 4 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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London

December 2015

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Dacorum Borough Council
Final Internal Audit Report
Housing Repairs

December 2015

This report has been prepared on the basis of the limitations set out on page 11.

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Distribution List:

Fiona Williamson – Group Manager (Property and Place)

Elliott Brooks – Assistant Director (Housing)

David Skinner – Assistant Director (Finance and Resources)

Mark Gaynor – Corporate Director (Housing and Regeneration) (Final Report Only)

James Deane – Corporate Director (Finance and Operations) (Final Report Only)

Sally Marshall – Chief Executive (Final Report Only)

Key Dates:

Date of fieldwork:	September/October 2015
Date of draft report:	December 2015
Receipt of responses:	December 2015
Date of final report:	December 2015

Contents

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Housing Repairs.

In July 2014, Dacorum Borough Council entered into a 5 year contract with Osborne Property Services to manage planned and responsive repairs for the Borough's 10,500 homes. The contract is a Total Asset Management model which means the contractor uses repairs data to supplement stock condition information with a view to reducing the number of day to day repairs that are required.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Housing Repairs, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Monitoring of Completion of Works, Contract Monitoring and Performance Management, Resident Queries and Complaints, Budget Monitoring and Payments to Contractor.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Housing Repairs found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Housing Repairs is shown in Section 3.

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1.4. Key Findings

We have raised three Priority 2 recommendations and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Policy and Procedure documentation should be reviewed and updated on a regular basis. (Priority 3).
- Where repairs are the responsibility of the tenant, a process should be in place to recharge the cost of the repairs to the tenant. (Priority 2)
- The council should raise the issue of the quality of information maintained by Osborne Property Services at contract monitoring meetings. (Priority 2).
- The Council should maintain, and provide to the contractor, a list of all eligible properties under the five year rolling plan for two room redecorations. (Priority 2).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner, and these have been included in the main body of the report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Housing Repairs, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;

- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- Identification of control weaknesses and potential process improvement opportunities;

- Discussion of our findings with management and further development of our recommendations; and

- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

There is a signed contract between Dacorum Borough Council and Osborne Property Services, and the staff involved in the management of the contract have access to it and are aware of its content. Policies and procedures are available to the housing staff which are reviewed on an annual basis.

Monitoring of Completion of Works

Works are appropriately categorised as Day to Day repairs, small works or capital works. Works are efficiently and timely completed to the required standards. Failure to complete work on time and any poor quality work is identified and addressed. Void repairs are monitored to ensure turnaround times are as short as possible in order to maximise income. Recharges to tenants are only made where appropriate.

Contract Monitoring and Performance Management

The contractor is working to the agreed standards and specification defined within the contract. Corrective action is taken to when the performance falls below the set standard. There are metrics in place to measure the contractor's performance against, and these are regularly monitored by the council. Management information is completely, accurately, validly and timely produced to allow for effective monitoring and decision making as part of the identifying, monitoring and paying for housing repairs in line with management and contractual requirements.

Resident Queries and Complaints

All queries or complaints from residents are dealt with promptly and effectively. Any areas for improvement arising from complaints are identified and addressed.   The council regularly monitors the complaints log maintained by the contractor.

Budget Monitoring and Payments to Contractor

Annual budget is set appropriately and the housing repairs programme is set to reflect the budget and monitored regularly. Stock condition survey data feeds into the annual programme. Monthly applications are checked on a sample basis (prior to receipt of invoices). Invoices are checked and authorised prior to payment and are in line with contract terms and conditions.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation	≈	≈	Recommendations 1 and 2
Monitoring of Completion of Works	≈	≈	Recommendations 3 and 4
Contract Monitoring and Performance Management	✓	✓	
Resident Queries and Complaints	✓	✓	
Budget Monitoring and Payments to Contractors	✓	✓	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Policy and Procedure Documentation (Priority 3)

Recommendation
Policy and Procedure documentation should be reviewed and updated on a regular basis.
Observation Having up to date and in depth procedure notes will help to ensure that individuals understand their responsibilities with respect to the Housing Repairs function. It also helps to provide a consistent approach in the activities undertaken. From the six policies and procedures relating to the Housing Repairs function, we found that three of them (Responsive Repairs, Rechargeable Works Policy and Cyclical Maintenance) had not been recently reviewed. Where policies and procedures are not updated regularly, there is a risk that processes within the Housing Repairs function will not be carried out effectively or efficiently.
Responsibility **Group Manager – Property and Place**
Management response / deadline The Housing Service is currently reviewing the approach towards the management and review of policies. Working with the Corporate Performance and Projects Team. A new intranet based process map template is being developed with hyperlinks to the relevant policies and procedures. The Property and Place Policies and procedures will all be reviewed and amended by the end of March 2016 and can be included in the programme for the development of individual process maps, as each is concluded.

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Recommendation 2: Recharges to tenants (Priority 2)

Recommendation
Where repairs are the responsibility of the tenant, a process should be in place to recharge the cost of the repairs to the tenant.
Observation
The Council's 'rechargeable works policy' informs tenants which repairs to properties should be considered responsibilities of the Council, and which are deemed to be the responsibility of tenants. It is also said that in case of works performed and paid by the Council but under the responsibility of the tenant, the Council has the right to claim back the amount spent.   Our testing found that currently, no records of the costs that could be claimed back from the tenant are being kept, and no recharges are being made.   Where records relating to possible recharges are not being kept, there is a risk that income due to the Council is not being recovered.
Responsibility   **Group Manager – Tenants and Leaseholders**
Management response / deadline   A growth bid has been submitted for consideration by Cabinet to enable a full time recharges officer to be appointed to manage the recharges process. The benefits are both in terms of the collection of rechargeable work costs but also the behavioural change of tenants who will be made aware that recharges will be robustly pursued   Once this has been approved the recruitment can commence so that an officer is in post for the beginning of the next financial year.   There are existing procedures that have been developed historically that are still fit for purpose and these will be adopted by the Recharges Officer to ensure there is an audit trail and that, where viable, rechargeable costs are recovered.

Recommendation 3: Quality of information maintained by Osborne Property Services (Priority 2)

Recommendation
The council should raise the issue of the quality of information maintained by Osborne Property Services at contract monitoring meetings.
Observation
By monitoring the quality of data provided, the council will be able to rely on the information provided by the contractor to support effective management of the contract.
From the source documentation used to select our sample for the Two Room Redecorations works, we found that in four out of ten cases, the date input as the handover to the council following completion of works was prior to the date input as the start date of the job.
Where the source documentation contains errors, and the quality of the data is not checked, there is a risk that the information being fed into the performance management targets is inaccurate, leading to incorrect management decisions being taken.
Responsibility
Team Leader – Programme and Procurement
Management response / deadline
The issue has been raised with the Contracts Manager of Osborne, who are currently undertaking a data quality review in preparation for all historic data to be interfaced into the Council's Housing Management System, Orchard.
The two room redecoration spreadsheet will be reviewed and appropriate amendments made prior to the information being interfaced.
The importance of data quality will be reviewed at the Operational Meetings and the IT follow up meeting scheduled for January 15th 2016.

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Recommendation 4: List of eligible properties provided to contractor (Priority 2)

Recommendation
The Council should maintain, and provide to the contractor, a list of all eligible properties under the five year rolling plan for two room redecorations. This would reduce the amount of works completed that are subsequently voided as a result of this.
Observation
Providing the contractor with a report of only eligible properties under the Two Room Redecoration scheme would maximise the efficiency in redecorating properties in need of this service.
Our testing found that currently, it is the contractor's responsibility to determine eligibility from the list of all properties classed as suitable for elderly persons.   From our sample of ten redecorations carried out since April 2015, we found that four properties had previously received a full redecoration within the last five years. Of these four, one property had been fully redecorated in 2014.
Where the Council does not provide a list of eligible properties to the contractor, there is a risk that properties in need of redecoration are being missed. There is also a risk that the Council does not identify these properties on receipt of the monthly invoice, therefore resulting in loss of income.
Responsibility
Team Leader – Programme and Procurement
Management response / deadline
The Database and Performance officer was appointed in October and is currently ensuring all historic data is input into the Council Asset Management Database. The database will be interrogated to produce a report of the sheltered properties that require 2 room redecoration.
The Contracts Manager at Osborne is implementing a process to ensure that all properties are checked against any void work schedules to prevent redecorations being undertaken within 5 years of any void redecoration work.
It is proposed to get programmes developed in February, prior to the commencement of the programmes in which start in April and this information will be uploaded into the Housing Management System, Orchard so that it can be made visible to the tenants using the customer service portal.

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full	✓	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	≈	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	?	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil	✕	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gratings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

- Fiona Williamson   Group Manager (Property and Place)

- Wimal Alahakon   Commercial Relationship Surveyor (Property and Place)

- Yaqubul Islam   Directorate Accountant (Housing and Regeneration)

- Lesley Jugoo   Empty Homes Lead Officer (Strategic Housing)

- Katie Kiely   Tenant Services Manager

- Sarah Delaney   Performance and Administration Manager (OPS)

- Alan Perrett   Contracts Manager (OPS)

- Adrian Hoole   Contracts Team Leader

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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Dacorum Borough Council
Final Internal Audit Report
Parking

December 2015

This report has been prepared on the basis of the limitations set out on page 10.

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Contents

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2015/16, we are required to undertake a risk based audit of the processes in place for Parking.

Parking Enforcement at Dacorum is contracted out to Watford Borough Council who has contracted with Vinci Park for the provision of services. The contract started in February 2008 and runs until February 2018.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Parking, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Contract Management, Income Collection, PCN Cancellations, Budget Management and Reconciliations.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Parking found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Parking is shown in Section 3.

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1.4. **Key Findings**

We have raised two priority 2 and one priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Prior to the parking enforcement contract end date of 2018, consideration should be given to determining the requirements to be included in the new contract. (Priority 2)
- Monthly invoices should be checked against expected annual contract value as detailed in the purchase order. (Priority 2)
- Contract monitoring meetings should be held on a monthly basis as per the contract agreement. (Priority 3)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

We received the management responses in a timely manner and these have been included in the main body of our report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Parking, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

Policies and procedures are available to the parking staff which is reviewed on an annual basis. Dacorum's Enforcement Strategy is regularly reviewed to ensure it is relevant and meets legislative requirements. Parking information is available to staff and to the public via the internet.

Contract Management

A detailed contract is in place with the service provider which sets out the roles and responsibilities of both parties. Contractor performance indicators are monitored and reported to relevant management and members. Regular contract meetings are held with Watford's Parking Services Manager to discuss contractor performance management. Information provided to the Council by the contractor is verified for accuracy.

Income Collection

Pay and Display machine repairs are carried out promptly in order to maximise income. Ringo payments are correctly accounted for in sales income. Income reports received from the contractor are reconciled to audit tickets from Pay and Display machines on a sample basis. Any variations identified are investigated and reported back to the contractor for resolution. Income is banked is reconciled to expected income.

PCN Cancellations

Supporting documentation is available to justify PCN cancellations. Refunds are appropriately authorised prior to payment. Analysis of reasons for cancellation is carried out and, where appropriate, concerns are reported to the contractor.

Budget Management

Annual budget is set appropriately and monitored regularly. Monthly invoices are checked and authorised prior to payment to ensure overspends do not occur.

Reconciliations

Monitoring information received from contractor relating to On Street income, Parking Permits, Season Tickets and arrears recovery action is verified for accuracy.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation	≈	≈	Recommendation 1
Contract Management	≈	≈	Recommendations 2 and 3
Income Collection	✓	✓	
PCN Cancellations	✓	✓	
Budget Management	✓	✓	
Reconciliations	✓	✓	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: Detailed Parking Enforcement contract (Priority 2)

Recommendation
Prior to the parking enforcement contract end date of 2018, consideration should be given to determining the requirements to be included in the new contract. Key elements should include the annual contract sum or pricing schedule and KPIs for monitoring performance of the contractor. Furthermore, consideration should be given to determining a Parking Strategy for Dacorum which will inform the detail to be included in the service specification.
Observation
A detailed contract which sets out the roles and responsibilities of both parties, and the service to be provided will help to facilitate the effective management of the Parking Enforcement service. Parking Enforcement at Dacorum is contracted out to Watford Borough Council who has contracted with Vinci Park for the provision of the service. The contract started in February 2008 and runs until February 2018. Our testing confirmed that a contract between Dacorum and Watford was signed by both parties, however on examination of the contract we found the following issues: • The contract documentation did not include details of the service to be provided by the contractor • There was no performance framework in place against which the performance of the contractor can be measured • There was no information relating to how the target costs were calculated, or what percentage of those costs were Dacorum's responsibility. Where there is no detailed contract documentation in place, there is no means of determining if the Council is receiving the expected services, or whether the monthly contract payments are appropriate.
Responsibility **Assistant Director – Finance & Resources**
Management response / deadline This contract was made prior to any of the current management being involved. The contract terminates in 2018 when terms can be renegotiated or an alternative parking partner sought. V4 consultancy has been engaged to review the contract with a view to making an earlier decision concerning the possibility of renegotiation or early termination of the contract. Deadline April 2016

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Recommendation 2: Monthly invoices should be checked against annual contact value (Priority 2)

Recommendation
Monthly invoices should be checked against expected annual contract value as detailed in the purchase order. Any variances should be investigated.

Observation
Regular monitoring of monthly invoices against annual contract value will help to ensure effective budget management is in place.   We identified that the 2015/16 Budget Book stated an expected cost of £ 654,460 for Services (Car Parking) for the year, giving an estimated monthly contract cost of £54,538. From a sample of invoices received for the current financial year, we determined that average invoice amounts were approximately £2,000 higher than the estimated monthly contract cost.   Our testing found that there was no evidence available to explain where the differences had arisen, due to lack of contractual documentation relating to contract value.   Where monthly invoice variances are not investigated, there is a risk of budget overspend resulting in financial loss to the council.

Responsibility
Parking Services Team Leader

Management response / deadline
Parking Services Team Leader will set up a spreadsheet to record and monitor the value of monthly invoices against the profiled projected invoice costs and investigate any discrepancy.   Deadline January 2016

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Recommendation 3: Contract monitoring meetings (Priority 3)

Recommendation
Contract monitoring meetings should be held on a monthly basis as per the contract agreement.

Observation
The Agreement between Dacorum Borough Council and Watford Borough Council signed in December 2009 in Chapter 7 states : "Watford's Parking Service Manager will hold monthly meetings with Dacorum's Head of Environmental Services or other authorised officer of Dacorum to ensure that the parking management contract is being implemented by Watford's contractor Vinci or any other contractor providing parking enforcement services under a contract with Watford in the interests of Dacorum and to monitor the performance of such contractor and to discuss the management of the contractor's staff."
We tested a sample of four monthly meetings from 2015. We found that in two instances the meetings did not take place.
Where monthly meetings are not held, there is a risk that opportunities to discuss performance issues are not taken, which could lead to the objectives of the service not being met.

Responsibility
Group Manager – Commercial Assets & Property Development

Management response / deadline
The Head of Service position has been replaced by Assistant Director and Group Manager posts. The Group Manager will set the dates in advance for the subsequent financial year each March.
Deadline March 2016

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

- Steven Barnes   Parking Services Team Leader

- Daniel Rodgers   Parking Operations Officer

- Lucy Tash   Accountant: Finance & Operations

- Cat Hamilton   Lead Officer (Payments, Income and RTB)

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

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Dacorum Borough Council
Final Internal Audit Report
Licensing

October 2015

This report has been prepared on the basis of the limitations set out on page 12.

Distribution List:	Key Dates:	
Ross Hill – Licensing Team Leader	Date of fieldwork:	August 2015
Mark Brookes - Group Manager - Legal Governance and Deputy Monitoring Officer	Date of draft report:	September 2015
	Receipt of responses:	October 2015
Steven Baker – Assistant Director – Chief Executive's Unit	Date of final report:	October 2015
David Skinner – Assistant Director – Finance and Resources		
James Deane – Corporate Director – Finance and Operations (Final Report only)		
Sally Marshall – Chief Executive (Final Report only)		

Contents

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1. Executive Summary

1.1. Background

As part of the Internal Audit programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Licensing.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Licensing, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Applications; Consultation and Appeals; Fees and Income Collection; Enforcement and Management Information. Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary Assessment

Our audit of DBC's internal controls operating over Licensing found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. Also, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Licensing is shown in Section 3.

1.4. Key Findings

We have raised three priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Licensing Team Leader should complete the review of the existing animal related application forms and once this has been completed they should be made available to applicants on the Council's website. (Priority 3);

- A further action log event should be added to the procedures within the Flare system for; Animal Boarding, Licensed Premises Gambling Machines and Piercing which requires the Licensing Team Leader to approve before the licence is granted. (Priority 2);

- The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. (Priority 2); and

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- Annual Invoices should be raised by Finance for all types of licences which require an annual fee (Priority 2).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner and these have been included in the main body of our report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Licensing, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;

- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- identification of control weaknesses and potential process improvement opportunities;

- discussion of our findings with management and further development of our recommendations; and

- preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- **Policies, Procedures and Legislation**
  Policies and procedures are available to the Licensing Team which are reviewed on an annual basis. To keep up-to-date with legislation, management receive regular updates from external sources. The Council's licensing policy is available to staff and to the public via the internet. Information regarding licences is available to prospective applicants via the Council's website.

- **Applications**
  Applications received are assessed and processed in a timely manner, and in accordance with any legislative timescale. Applications are supported by appropriate documentation, and are authorised by management in line with Council policy.

- **Consultation and Appeals Processes**
  Applications under consultation are notified to the public in line with legislation. Any representations are resolved prior to the licences being approved.
  The appeals process is clearly documented and made available to all applicants. Appeals are resolved and decisions communicated in line with the timescales set by legislation.

- **Fees and Income Collection**
  Licences are only issued once payment is received. Invoices are automatically raised for renewals. Reconciliations regularly take place between expected income and actual income, and any variances are promptly investigated.

- **Enforcement**
  Scheduled and ad hoc inspections take place in accordance with the Council's enforcement policy. Any identified licence breaches are promptly dealt with.

- **Management Information**
  Performance reports are produced regularly and reviewed by management. The Licensing and Health and Safety Enforcement Sub Committee meets regularly.

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2.4 Selection of Sample

The sample of licences tested during the audit was selected from reports of all licence applications processed by the Council from April 2014 to August 2015. The sample is as follows;

- Taxis: four new driver applications, three new vehicle applications and one new operator application.
- Alcohol and Entertainment: one temporary event notice, two personal licences and four premises licences
- One Animal Boarding licence.
- Two piercing licences.
- Two Gambling licences

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation	✓	✓	
Applications	≈	≈	**Recommendation 1, 2 and 3**
Consultation and Appeals Process	✓	✓	
Fees and Income Collection	≈	✓	**Recommendation 4**
Enforcement	✓	✓	
Management Information	✓	✓	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: New Animal Licence Application Forms (Priority 3)

Recommendation The Licensing Team Leader should complete the review of the existing animal related application forms and once this has been completed they should be made available to applicants on the Council's website.
Observation Where Animal Boarding Licence application forms have been completed in greater detail prior to the Enforcement Officer's inspection this will help increase efficiency of inspections and direct the Enforcement Officer to areas of concern. Audit identified that the Animal Boarding licence application form required very little detail to be included by the applicant. Discussions with the Licensing Team Leader confirmed that this application form was currently under review. Where there is a lack of detail on the Animal Boarding licence application form there is a risk that the inspections are not carried out efficiently and relevant details are not be identified.
Responsibility Licensing Team Leader
Management response / deadline This had previously been identified by the Licensing team as a potential area for improvement, and work is already underway to prepare more comprehensive application forms across the full range of animal welfare licences which are issued by the Council (animal boarding establishments, dangerous wild animal keepers, dog breeding establishments, pet shops, riding establishments, zoos), and update systems to store the more detailed range of data requested. This work is expected to be completed for the full range of animal licences by the end of March 2016, although higher-volume applications (animal boarding establishments and pet shops) will be prioritised, with an implementation target for these formalities by the end of December 2015.

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Recommendation 2: Animal, Gambling and Piercing Flare Procedures (Priority 2)

Recommendation	
A further action log event should be added to the procedures within the Flare system for; Animal Boarding, Licenced Premises Gambling Machines and Piercing which requires the Licensing Team Leader to approve before the Licence is granted.	

Observation

Where there is a requirement for Licensing Team Leader to complete and an action to approve a Licence within the Flare system this will help to ensure that there is accountability and that only appropriate licenses are approved.

Testing of a sample of 1 animal boarding application, 2 licence premises gambling machine applications and 2 piercing applications identified that in 2 cases there was no signature on the granted licence certificate and in 3 cases there was an automated electronic signature on the granted licence certificate which does not confirm who had approved the application.
In all five cases in the application action log on the Flare confirmed the officer who produced the Licence Certificate as the Licensing Support Officer and hence there was no evidence to confirm that the Team Leader had authorised the approval of the licence.

If there are not appropriate approval functionality within the Flare system then there is a risk that inappropriate licences will be granted.

Responsibility

Licensing Team Leader

Management response / deadline

For lower-risk administrative authorisations, the adopted scheme of delegation allows licensing officers below the Licensing Team Leader to approve the grant of an authorisation. However, it is accepted that the recording of the approval process for these lower-level authorisations could be improved.

A process for electronically recording approval has previously been implemented within Civica APP (a.k.a. Flare) records for certain authorisation types (e.g. private hire operator licences), as a trial for replacing paper authorisation records ('signoff sheets'). This will now be expanded to all authorisation types.

Given the number of authorisation types that will need to be amended, and the current restrictions on Civica APP administration (see next recommendation), a target of end March 2016 for implementation of this recommendation is suggested.

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Recommendation 3: System Improvement Training (Priority 2)

Recommendation
The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. See recommendation 2.
Observation
Where officers within the Licensing Team have the required skills and ability to adapt the Flare system to help ensure that the appropriate approval controls are in place, this will allow for a more efficient and dynamic system and improve the way the Licensing department can process applications.
There is currently one officer in the Regulatory Services department (they also use the Flare system) who is acting as the system administrator and can make system amendments like adding in additional action log requirements and procedures.
Where there is only one officer with the ability to increase the functionality of the system there is a risk that the necessary changes will not be made in a timely manner.
Responsibility
Licensing Team Leader
Management response / deadline
Discussions are now taking place on the future arrangements for supporting all departments which use Civica 'Authority for Public Protection' (a.k.a. Flare), which is likely to include additional training and access being granted for identified 'super users' within the Licensing team.
Until such training has been completed and additional system access granted, licensing officers are unable to complete these changes, and with almost 200 licensing application types to implement electronic approval for, it is unlikely that the current System Administrator in Regulatory Services will have sufficient capacity to deliver the necessary changes alone.
Deadline for implementation of this recommendation is therefore subject to a number of factors, including the identification of budget for one or more licensing officers to undertake the APP System Administration training course, which is delivered externally, and the availability of training courses. Assuming that the additional training/access can be delivered, a target of March 2016 for implementation on the areas identified in recommendation 2, and for other high-frequency application types (taxis, premises licences, personal licences, etc) is considered achievable, with the full suite to be completed by June 2016.

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Recommendation 4: Invoices raised for annual licence fees (Priority 2)

Recommendation
Annual invoices should be raised by Finance for all types of licences which require an annual fee.

Observation
Where invoices are raised for annual fees by finance this will help identify expected income. Furthermore this will help improve efficiency by reducing the time spent chasing income due to a lapse of the licence.
Testing confirmed that alcohol/entertainment premises licences and club premises certificates are all invoiced by Finance. However, it was noted that these are currently the only annual fees collected in this way. The Licensing Team Leader has been in discussions with the Finance Group Manager with a view to adopting this process for all types of annual fee licences. The other licence categories with annual fees are gambling premises licences (16 licences, amount dependent on category), gaming machine permits (c.30 permits @ £50 each), and lottery registrations (c.100 registrations @ £20 each). Reminder letters are currently sent for the other types of annual fees, and for all licence renewals.
Where invoices are not raised by Finance there is a risk that the Licensing Team are not working in the most efficient manner which in turn could lead to the risk of the expected income not being received, which in turn could lead to a financial loss to the Council.

Responsibility
Licensing Team Leader

Management response / deadline
As noted, implementation of this recommendation is already underway, and is expected to be completed by the end of December 2015.

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

Ross Hill – Licensing Team Leader

Richard Mabbitt - Licensing Enforcement Officer

Sally Taylor – Licensing Support Officer

Mark Brooks - Group Manager - Legal Governance and Deputy Monitoring Officer

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

October 2015

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Dacorum Borough Council
Final Internal Audit Report
Payment Card Industry Data Security Standard (PCI DSS)

December 2015

This report has been prepared on the basis of the limitations set out on page 11.

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Distribution List:

John Worts – Information Security Manager

Mark Brookes – Group Manager (Legal Governance and Deputy MO)

Steve Baker – Assistant Director (Chief Executive's Unit/MO)

David Skinner – Assistant Director (Finance and Resources)

James Deane – Corporate Director (Finance and Operations) (Final Report only)

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork:	August 2015
Date of draft report:	November 2015
Receipt of responses:	December 2015
Date of final report:	December 2015

Contents

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1. Executive Summary

1.1. Background

We have completed a compliance audit assessment of the Council's systems of internal control in respect of the Payment Card Industry Data Security Standard (PCI DSS) ver 3.1 April 2015 to assess the extent to which the reputational damage and financial risks are mitigated. The total value of 2014/2015 debit and credit cards transactions is £135k which reduces to £34k if the Capita processed Touchtone Telephone and Internet Payment receipts are excluded.

Many organisations who had already committed resources on complying with the 2014 PCI DSS Version 3.0, which took effect on 31st December 2014, were taken by surprise when the Payment Card Industry Security Standards Council released a new version of the PCI DSS Standard in April 2015, ahead of the usual 3 year release cycle which had immediate effect.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current control environment in respect of the Payment Card Industry Data Security Standard (PCI DSS) ver 3.1 April 2015 and provide recommendation guidance on how to improve the current controls going forward.

In summary, the audit scope covered the following areas:

- Build and Maintain Secure Network Policies;
- Protect Cardholder Data;
- Vulnerability Management Program;
- Implement Strong Access Controls;
- Regularly Monitor and Test Networks;
- Maintain an Information Security Policy.

Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary Assessment

Our audit of DBC's internal controls operating in respect of the 2015 Payment Card Industry Data Security Standard (PCI DSS) ver 3.1 found that there is a sound system of internal control designed to achieve the system objectives. Also, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the PCI-DSS control environment is shown in Section 3.

1.4. Key Findings

We have raised three priority 2 and a single priority 3 recommendation where we believe there is scope for improvement within the PCI-DSS control environment. These are set out below:

- Secure Socket Layer - All and any existing use of SSL and/or early TLS must have a formal Risk Mitigation and Migration Plan in place. (Priority 2)
- Vulnerability patch management – Appropriate key performance indicators and vulnerability compliance monitoring reports should be established and applied.(Priority 2)
- Compliance verification checks on all Point of Sale device assets.(Priority 2)

- CAPITA Services PCI DSS compliance verification status documentation. (Priority3)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner and these have been included in the main body of the report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this compliance audit was to provide assurance that the systems of control in respect of the 2015 Payment Credit Industry Data Security Standard (PCI-DSS version 3.1) is effective and consistently applied.

2.2. Approach and Methodology

The audit approach was developed by an assessment of risks and management controls operating within each area of the scope and the following procedures were adopted to enable us to recommend control improvements:

- Hold discussions with key members of staff to ascertain the operational controls;

- Identification of the role and objective of each area of scope;

- Identification of risks relating to the auditable area and the controls in place that enable the control objectives to be achieved;

- Evaluation and testing of controls within the system;

- Discussion of our findings with management and further development of our recommendations; and

- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- **Build and Maintain a Secure Network Policies:**

  1. Install and maintain a firewall configuration to protect cardholder data;

  2. Do not use vendor-supplied defaults for system passwords and other security parameters;

- **Protect Cardholder Data:**

  3. Protect stored cardholder data;

  4. Encrypt transmission of cardholder data across open, public networks;

- **Maintain a Vulnerability Management Program:**

  5. Use and regularly update anti-virus software on all systems commonly affected by malware;

  6. Develop and maintain secure systems and applications;

- **Implement Strong Access Control Measures:**

  7. Restrict access to cardholder data by business need-to-know;

  8. Assign a unique ID to each person with computer access;

  9. Restrict physical access to cardholder data;

- **Regularly Monitor and Test Networks:**

  10. Track and monitor all access to network resources and cardholder data;

  11. Regularly test security systems and processes;

- **Maintain an Information Security Policy:**

  12. Maintain a policy that addresses information security.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Build and Maintain Secure Network Policies	✓	✓	
Protect Cardholder Data	✓	≈	**Recommendation 1**
Vulnerability Management	✓	≈	**Recommendation 2**
Access Controls	✓	≈	**Recommendation 3**
Monitor and Test Networks	✓	≈	**Recommendation 4**
Maintain an Information Security Policy	✓	✓	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: Inadequate Secure Socket Layer Security (Priority 2)

Recommendation   In compliance with PCI-DSS (version 3.1 requirement 4.1), the Council must ensure that: a) SSL and early TLS are no longer used as a security control after June 30, 2016.   b) Effective immediately, new implementations MUST NOT use SSL or early TLS.   c) All and any existing use of SSL and/or early TLS must have a formal Risk Mitigation and Migration Plan in place.
Observation   The 2015 payment card industry data security standard PCI-DSS (version 3.1 requirements 4.1) mandates that specific security controls are established and applied to mitigate the known risks of the Secure Socket Layer (SSL) computer protocol.   Examination of the recent external IT Security Test report noted that SSL V3 was identified in use at the Council. This resulted in a medium risk issue for the Council to address. [Page 11 - "Description of the Issue - An attacker could affect the confidentiality of data that has been transmitted using SSLv3.0 by exploiting a flaw in the way the protocol handles padding of bytes. This issue has been publically announced as POODLE (Padding Oracle On Downgraded Legacy Encryption) and SSL version 3 should therefore not be relied upon].   There is an increased risk of non compliance with the 2015 PCI-DSS (version 3.1 requirement 4.1) until the Council can ensure that: a) SSL and early TLS are no longer used as a security control after June 30, 2016.   b) Effective immediately, new implementations MUST NOT use SSL or early TLS.   c) All and any existing use of SSL and/or early TLS must have a formal Risk Mitigation and Migration Plan in place.
Responsibility   Information Security Manager / ICT
Management response / deadline   a) A review will need to be performed on servers Capita Live and Capita Test to establish if they are using SSL / early TLS – review to be completed by 31st December 2015   b) Request from Capita that new implementations will not be using SSL or early TLS. DBC ICT must also configure new implementations using either TLS IPSEC or SSH. This will be a server configuration document from Capita – expected by 31st January 2016   c) Linked to a) – If applicable (i.e. if we are still using SSL or early TLS) a Migration Plan and Risk Mitigation to be in place by 28th February 2016

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Recommendation 2: Vulnerability patch management (Priority 2)

Recommendation

Key performance indicators should be established and applied to demonstrate the extent to which vulnerability patch management issues and penetration test report concerns, such as weak passwords, are effectively monitored for resolution.

Observation

The 2015 payment card industry data security standard PCI-DSS (version 3.1 requirements 6.1) mandates that policies and procedures are defined and applied to identify new security vulnerabilities and also mandates (6.2) that all system components and software are protected from known vulnerabilities by installing applicable vendor-supplied critical security patches within one month of release.

Dacorum's IT Security Policy states that "The Council acts to identify and patch software and system vulnerabilities" and Microsoft System Centre Configuration Manager Tool was confirmed in use to help ensure that all hosts are patched against known vulnerabilities. However, examination of the key documents confirmed that while the Council uses reputable outside sources to provide information on IT security, the recent internal security test report identified that weak passwords were identified and patch management activities were ineffective on 28 hosts within the network. The existence of one critical vulnerability had allowed the security test team to exploit a vulnerability and gain full admin rights to the IT network.

There is an increased risk that the Council may fail to comply with the PCI-DSS requirement to apply all vendor-supplied critical security patches within one month of release unless vulnerability management reports and key performance indicators are established and applied to demonstrate the PCI-DSS compliance requirements are effectively monitored for achievement.

Responsibility

Information Security Manager

Management response / deadline

We have a patch management policy;
- Servers – split into four farms done every Monday between the hours of 00.00 and 02.59 AM Patches for Windows Security and Critical Updates are applied.
- Hosts – Patched Daily with Microsoft Security and Critical Updates
- 3rd Party Applications (Adobe and Java etc.) – Patched with critical updates monthly.
- Vendor Patches are applied via RFC and subject to approval by Change Control Board.
- Microsoft SCCM 2012 is the mechanism used to measure and monitor patches on all systems in the domain.

All remedial actions in the internal remedial action plan (R.A.P) have now been applied and approved by Cabinet Office on 2nd November 2015 as part of the Public Sector Network (PSN) approval process.

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Recommendation 3: Point of Sale / Point of Interaction device compliance (Priority 2)

Recommendation
 	
Management should ensure that:
 	
   a) All passwords and default accounts are confirmed as compliant; and
   b) A list of point of sale device assets is confirmed to exist that only includes device assets that are subject to version 3.1 compliance verification checks. (see URL below)
 	
www.pcisecuritystandards.org/approved_companies_providers/approved_pin_transaction_security.php

Observation
 	
The 2015 payment card industry data security standard (version 3.1) requirements mandates that:
 	
   a) (2.1) Vendor-supplied default accounts and passwords should be changed, removed or disabled. This applies to ALL default passwords, including but not limited to those used by operating systems, software that provides security services, application and system accounts, point-of-sale (POS) terminals, Simple Network Management Protocol (SNMP) community strings, etc.).
   b) (9.9) policies and procedures require that a list of all POS (Point of Sale) or POI (Point of Interaction) device assets exist. Requirement 9.9.1.further states that the inventory list of devices is maintained as up-to-date and includes the following information:
 	
     • Make, model of device;
     • Location of device (for example, the address of the site or facility where the device is located); and
     • Device serial number or other method of unique identification.
 	
Discussions and examination of records identified that:
 	
   a) Although a well defined and PCI-DSS compliant password policy is in place the security penetration tests have found weak passwords in use and the default admin name has not been changed; and
   b) A list of the point of sale device assets was unavailable for examination at the time of the audit to enable the list to be verified as containing only devices that meet the PCI: DSS ver3.1 requirements.
 	
There is an increased risk of non-compliance until
 	
   a) passwords and default accounts are confirmed as compliant; and
   b) A list of point of sale device assets is confirmed to exist that only includes compliant devices.

Responsibility Information Security Manager

Management response / deadline
 	
   a) Recommendations made by the external security test teams and documented in our remedial action plan (R.A.P) have now been applied and approved by Cabinet Office as part of our PSN submission – awarded 2nd November 2015
   b) Asset Register for point of sale devices will be created by 15th March 2016

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Recommendation 4: Capita Services PCI DSS compliance verification status (Priority 3)

Recommendation
The Council should request documentary evidence to help demonstrate the extent to which the authority can place dependence on its third party service provider's compliance to the PCI DSS requirements.
Observation
The "Dependence on another service provider's compliance" section (page 6) of the 2015 payment card industry data security standard PCI-DSS (PCI DSS Compliance Template for use with PCI DSS v3.1, Revision 1.0) states there is no need to force the third-party service provider to be assessed against PCI DSS 3.1 while their PCI DSS 2.0 assessment is still valid but the extent of their current PCI DSS compliance should be documented.
Documentary evidence to demonstrate the extent to which the authority can place dependence on its third party service provider's compliance was unavailable for examination at the time of the audit.
There is an increased potential risk of non-compliance until evidence is provided to demonstrate the extent to which the Council can depend upon its third party service provider's compliance.
Responsibility
Information Security Manager
Management response / deadline
Information Security Manager will request supplier evidence and review.

- Request evidence from third party suppliers by 31st December 2015
- Review evidence provided by31st January 2016
- Recommendations {if applicable] (to supplier) by 15th February 2016

Review the application of recommendations by supplier –by 31st March 2016

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- John Worts - Information Security Manager
- Robbie File – Business Systems Developer
- Amanda Jeffries - Service Desk Lead Officer ICT Services

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

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Dacorum Borough Council
Final Internal Audit Report
Right to Buy

December 2015

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

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Andy Vincent – Group Manager (Tenants and Leaseholders)

Elliott Brooks – Assistant Director (Housing)

Mark Brookes – Group Manager (Legal Governance)

Steve Baker – Assistant Director (Chief Executive's Unit/MO)

James Deane – Corporate Director (Finance and Operations) (Final Report Only).

Sally Marshall – Chief Executive (Final Report Only)

Contents

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Right to Buy.

Right to Buy offers most Council (and Housing Association) tenants the opportunity to buy their Council house/flat at a discount.

Eligible candidates must have been a public sector tenant for at least 3 years, and the home they are wishing to purchase must be their only or main home.

Currently, the maximum discounts available are £77,900 (£103,900 in London). This is for applications submitted after 6th April 2015.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Right to Buy, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Fraud Prevention Measures, Timeliness of Application Processing and Making the Offer, Completion of Sale following Acceptance of Offer, and Recording of Transaction in Accounts.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Right to Buy found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may put some of the system objectives at risk. The level of non-compliance puts the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Limited

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Right to Buy is shown in Section 3.

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1.4. **Key Findings**

We have raised one Priority 1 recommendation, two Priority 2, and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Detailed operating procedures for the Right to Buy process should be developed. (Priority 2).
- Identity and Tenancy checks should be completed consistently (Priority 1).
- Anti Money Laundering policy should be updated to reflect Right to Buy processes (Priority 2).
- A secondary check on the Discount Value calculation included in the Offer Letter should take place to confirm accuracy (Priority 3).
- Detailed records relating to the Right to Buy Process should be maintained (Priority 3).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

We received the management responses in a timely manner and these have been included in the main body of the report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Right to Buy Scheme, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;

- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- Identification of control weaknesses and potential process improvement opportunities;

- Discussion of our findings with management and further development of our recommendations; and

- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

Policies and procedures (including relevant timescales for each stage of the process) are available to the staff involved with the whole Right to Buy process. These are reviewed on a regular basis. Information relating to the financial and practical implications of home ownership is provided to secure tenants applying through Right to Buy. Information available on the Council's internet site is up to date.

Fraud Prevention Measures

Identification and tenancy checks take place to confirm the tenant's eligibility for purchase. Checks are made to ensure the tenant is not subject to any bankruptcy order (or similar), which would render them ineligible for purchase. Appropriate Anti-Money Laundering checks are in place.

Timeliness of Applications Processing and Making the Offer

Confirmation of eligibility is sent to the tenant within the four week timescale. Valuations of property are completed in a timely manner to enable the Section 125 offer notice to be issued in line with relevant timescales for that property. Any service charge information that is required is checked for accuracy prior to inclusion in the offer notice. Discounts are correctly calculated and applied appropriately.

Completion of Sale following acceptance of Offer

Once the offer has been accepted, the case is promptly passed to the team in Legal Governance. Notices to complete are issued in line with relevant timescales. Leases, transfer deeds and plans are all prepared in line with relevant timescales. Any rent arrears have been cleared prior to completion.

Recording of Transaction in Accounts

Right to Buy receipts are reconciled to expected amounts as per offer letter. Sales are appropriately recorded and properties removed from the asset register. Tenants' rent accounts are closed.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation	≈	≈	Recommendation 1
Fraud Prevention Measures	≈	?	Recommendation 2 Recommendation 3
Timeliness of Processing and Making the Offer	≈	≈	Recommendation 4 Recommendation 5
Completion of Sale following Acceptance of Offer	≈	≈	Recommendation 1
Recording of Transaction in Accounts	✓	✓	No Recommendation raised

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: Policy and Procedure Documentation (Priority 2)

Recommendation
Detailed operating procedures for the Right to Buy process should be developed. These should include the timescales that all the departments involved in the process need to work towards. These should be reviewed and updated on a regular basis and should be made available to all the relevant members of staff.
Observation
Having up to date and in depth procedure notes will help to ensure that individuals understand their responsibilities with respect to the Right to Buy process and the deadlines that need to be adhered to. We requested documented procedures from each service involved in the process (Finance, Housing, Estates and Legal Service), and found that Finance was the only service with procedures in place. However, these procedures had not been updated to reflect the implementation of the Council's document management system (Information @ Work) in December 2014. Where detailed operating procedures are not in place or updated on a regular basis there is a risk that processes within the Right to Buy function will not be carried out effectively or efficiently. Furthermore, there is a risk that specific deadlines may be missed which may lead to financial loss to the Council.
Responsibility **Group Manager – Financial Services.**
Management response / deadline
All financial procedure notes are updated at least once a year and the Right to Buy notes are due to be updated in December 2015. The team will ensure in future, that any significant changes to the procedures are updated immediately in the procedure notes. The Group Manager (Legal Services), Group Manager (Tenants and Leaseholders) and the Group Manager (Commercial Assets and Property Development) will ensure procedure notes are developed for the RTB processes within Legal, Housing and Estates by the end of January 2016.

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Recommendation 2: Identity and Tenancy Checks (Priority 1).

Recommendation
Identity and Tenancy checks should be completed within four weeks of the Right to Buy applications being submitted. Consideration should be given to setting up a central e-mail account to which identity and tenancy check requests should be sent, and which should be monitored weekly to ensure that all requests are promptly processed.
Observation
Monitoring completion of Tenancy and Identity checks confirms that the relevant background checks have been completed and the tenant is eligible under the Right to Buy Scheme. A tenant is only eligible if they have had a tenancy agreement for three years and the property is their main and/or only home.
We found that there was no evidence of an identity or tenancy check carried out by the Housing Department in five out of ten cases tested. Upon further enquiry we found that from March to August 2015, the check requests from Finance were going to an unmanned e-mail account due to long term sickness. This issue was not identified until August 2015 when a new employee was brought in to take over the role.
Where identity and tenancy checks are not completed, there is a risk that properties are sold to ineligible applicants. Furthermore, where deadlines are not met, applicants may be entitled to further discounts which may lead to a financial and reputational loss to the Council.
Responsibility **Group Manager – Tenants and Leaseholders**
Management response / deadline An email group has now been set up and is in use. This is monitored by a number of staff to ensure tenancy checks are actioned in a timely manner.

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Recommendation 3: Anti Money Laundering Verifications (Priority 2).

Recommendation
The council should revise its Anti Money Laundering Policy to include specific reference to Right to Buy purchases. This should include a specific cash limit over which cash purchases should be referred to the Corporate Fraud team for investigation and confirmation of legitimacy.
Observation
Under the Law Society Rules the solicitors for the prospective purchasers must confirm that the funds provided by the tenant have been accumulated in a legitimate form. There is currently no legal requirement for the tenant or solicitor to prove to the Council that the sources of their finance are legitimate.
We found that the council places reliance on the anti money laundering checks carried out by tenant solicitors without seeking confirmation that appropriate checks have been carried out. The council's anti money laundering policy, which has not recently been updated, did not include any statement as to the Council's risk appetite regarding the Right to Buy process.
Where checks are not carried out and Right to Buy purchases are subsequently found to be funded as a result of criminal activity, there is a reputational risk to the council. Where money laundering activities are not identified, there is a risk of loss of property which could otherwise be used to meet the council's housing needs.
Responsibility
Group Manager (Revenues & Benefits)
Management response / deadline
The Money Laundering Policy will be updated to make specific reference to Right to Buy processes. This will be completed by March 2016.

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Recommendation 4: **Discount Value Checks (Priority 3).**

Recommendation
Discounts values included in the Tenant Offer Letters should be checked by a second member of staff to ensure accuracy and validity of the discount rate calculated.
Observation
The discount value calculation is based on the number of years the tenant has held a tenancy agreement in the public sector. By implementing a secondary check, they will be able to ensure that the values entered into the system to create the discount percentage are accurate.
Currently the Finance Assistant will enter the details of the tenant and how long have lived in the property, or had a tenancy agreement with the council, onto a standalone computerised calculator. They valuation amount of the property is also entered. The calculator will then generate the discount value based on the data input by the Finance Assistant.
On inspection, we found that there is currently no secondary check on the discount value included in the Offer Letter sent out to the Tenant.
Any errors in the calculation, or input of parameters onto the computer, could lead to increased discounts and loss of income for the Council.
Responsibility
Group Manager – Financial Services
Management response / deadline
A secondary check of discount calculations will be implemented with immediate effect.

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Recommendation 5: Detailed Records and Application Process Monitoring (Priority 3).

Recommendation
The council should hold detailed records of the key stages within the Right to Buy process. The accuracy and completeness of these records should be reviewed on a regular basis to ensure the key stages are completed in line with the timescales set out in the Right to Buy legislation.
Observation
Accurate records of the application process will support the Council if the processing times are disputed by tenants

Testing during the audit identified in a number of instances there were inaccuracies in the details recorded in the key stages of the Right to Buy process, for example, eligibility notification letters issued prior to the recorded date the application was received.

Where the council does not maintain accurate records, there is a risk that supporting evidence will not be available should disputes arise and a tenant issues a notice of delay, which entitles them to further discount. |
| **Responsibility**

Group Manager – Financial Services |
| **Management response / deadline**

A review of the process will be undertaken with the team to understand where these errors occur. A secondary check of Right to Buy records will be implemented with immediate effect. |

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

- Theresa Miles   Finance Assistant

- Yamini Krishnan   Finance Assistant

- Lucy Marshall   Legal Services Assistant

- Elaine Hopkins   Fraud Investigator

- Vindhya Shetty   Debits Control Officer – Rents Team

- Paula Parkins   Housing Team Leader

- Adriana Livingstone   Estates Team Leader

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

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Dacorum Borough Council
Final Internal Audit Report
Performance Management

December 2015

This report has been prepared on the basis of the limitations set out on page 9.

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Distribution List:

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Sally Marshall - Chief Executive (Final Only)

Key Dates:

Date of fieldwork:	October/November 2015
Date of draft report:	November 2015
Receipt of responses:	December 2015
Date of final report:	December 2015

Contents

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2015/16, we completed a risk based audit of the processes in place for Performance Management.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Performance Management, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance, Performance Targets, Performance Monitoring and Performance Reporting.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Performance Management found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Performance Management is shown in Section 3.

1.4. Key Findings

We have raised one priority 3 recommendation and one System Improvement Opportunity where we believe there is scope for improvement within the control environment. These are set out below:
- Performance Indicators should be reviewed during the financial year to ensure that they continue to be appropriate and fit for purpose. (Priority 3)
- Officers who are responsible for under performing indicators within individual service lines should attend a Performance Clinic so that appropriate action can be taken to improve performance. The outcomes of the performance clinic should be recorded. (System Improvement Opportunity).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

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1.5. Management Response

We received the management responses in a timely manner and they have been included in the main body of the report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Performance Management, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;

- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- identification of control weaknesses and potential process improvement opportunities;

- discussion of our findings with management and further development of our recommendations; and

- preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- **Governance**
  The Council has in place a clearly defined Performance Management Framework. Clearly documented guidance enables services to develop action plans to meet their performance targets. Roles and responsibilities associated with performance management have been appropriately designated.

- **Performance Targets**
  Appropriate service performance targets/indicators are agreed annually, communicated and regularly reviewed so as to achieve the authority's strategic and operational objectives.

- **Performance Monitoring**
  Independent and effective review and challenge of performance against targets takes place.   Services have robust measures in place to address any poor performance identified.

- **Performance Reporting**
  Performance information is accurately produced and regularly reported to allow for effective monitoring, decision making and reporting in line with senior management requirements.

We selected a sample of 4 Service lines for testing – Property and Place, Customer Services Unit, People and Environmental Services.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance	✓	✓	
Performance Targets	✓	✓	
Performance Monitoring	✓	≈	**Recommendations 1 and 2**
Performance Reporting	✓	✓	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: Performance Monitoring – Review of Indicators (Priority 3)

Recommendation
Performance Indicators should be reviewed during the financial year to ensure that they continue to be appropriate and fit for purpose.

Observation:
In order to help ensure that Performance Indicators are operating effectively they should be reviewed on a regular basis. Where poor performing indicators are identified, appropriate action should be taken to help ensure that performance is improved.
Of our sample of 4 Service lines selected for testing, we identified that for Property and Place there was one indicator which was constantly underperforming (PP02). This related to the average cost of repair indicator. It was confirmed by the Group Manager for Property and Place that the figure is an average cost of repairs, and is skewed where larger repairs are included. Therefore as a result the indicator requires review to account for this.
Where indicators are not reviewed regularly for reliability and appropriateness there is a risk that they may not give a correct indication of the performance of the service, which in turn could lead to the objectives of the service not being achieved.

Responsibility
Robert Smyth – Assistant Director – Performance and Projects

Management response / deadline
Target Setting
We have reviewed our existing approach to performance indicators and for 2016/17 we are introducing a new process.
• This will involve a closer link to the service planning process (and time-frame) and it will build in further 'critical challenge' to ensure that we set the correct targets at the beginning. • The Performance team is also publishing more guidance on how to use benchmarking and taking a more outcome focused approach.
Reviewing Targets in Year
• The Performance team will publish some rules setting out how indicators will be reviewed during the year and the conditions/authorisation required to change them.
However it is worth noting that changing targets during the year should only be done in exceptional circumstances. Where performance is below target the primary response is to address issues within the service.
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Recommendation 2: Performance Monitoring – Performance Clinics (System Improvement Opportunity)

Recommendation
Management should consider extending the new system of Performance Clinics, so that officers who are responsible for under performing indicators within individual service lines are invited to attend a Performance Clinic, resulting in appropriate action being taken to improve performance. The outcomes of the performance clinic should be recorded. .
Observation
In order to help improve the performance of under performing indicators, responsible officers should attend Performance clinics at which appropriate actions can be identified to help improve the performance of the indicator.
As this is a newly implemented system, only one of the four service lines we selected in our sample had attended a performance clinic in the current financial year. However, we were unable to confirm what the outcome of the meeting was as there was no record of the meeting except for the meeting invite.
We also found that poor performance in a number of the indicators in the other 3 service lines for consecutive months had been identified. However, there was no evidence to confirm that the responsible officers for those indicators had attended and/ or been invited to attend performance clinics.
Where officers who are responsible for under performance indicators do not attend a performance clinic and the outcomes of which are not documented there is a risk that the opportunity to take remedial action to improve performance may not be taken. This may lead to the objectives of the service not being achieved, which may in turn lead to financial loss and reputational damage for the council.
Responsibility
Robert Smyth – Assistant Director – Performance and Projects
Management response / deadline
The Performance Clinics were a new innovation recently introduced by the Performance Team. The aim was to discuss issues and receive assurance that poor performance was being addressed.
However while the idea has received positive feedback we recognise that it would be beneficial to expand it and to formalise the process.
From January we will run these clinics on a bi-monthly basis and we will introduce a feedback form to be completed for every clinic. We will also introduce a feedback form for services whose performance does not warrant attendance at the clinic but needs some initial attention.
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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

- Robert Smyth   Assistant Director for Performance and Projects

- James Wilson   Corporate Performance Management Lead Officer

- Fiona Williamson   Group Manager – Property and Place

- Matt Rawdon   Group Manager - People

- Mark Housden   Group Manager – Customer Services Unit

- Craig Thorpe   Group Manager – Environmental Services

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

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Agenda Item 8

AUDIT COMMITTEE: Work Programme 2015-16

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
16/12/2015		7/12/2015	Progress Report Housing Repairs Parking Licensing PCI DSS Right to Buy Performance Management	Internal Audit
			2014/15 Annual Audit Letter	External Audit
10/02/2016		1/2/2016	Progress Report 2016/17 Draft Annual Internal Audit Plan Council Tax	Internal Audit
27/4/2016		18/4/2016	Progress Report Key Financial Controls Budgetary Control NNDR Housing Benefit – Council Tax Support Data Security Health & Safety Member Training & Expenses Housing Lettings	Internal Audit

			2014/15 Report on the Certification of Claims and Returns	External Audit
			2015/16 Audit Planning Report	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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